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OGC 77-1783
18 March 1977

MEMORANDUM FOR THE RECORD

25X1

FROM: [REDACTED]
Assistant General Counsel

SUBJECT: Government Should Recover Cost of Processing Air
Passengers Not on Official Business

Mr. Dent of GAO this date has informed me that GAO has requested an additional 20 working days before issuance of the final report "Government Should Recover Cost of Processing Air Passengers Not on Official Business" GAO Assignment Code 943269. Further, Mr. Dent estimates that in practical terms this will mean 30 to 45 days before issuance. He confirmed that we are on the distribution for the final report. A copy of the draft report is attached.

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Att.

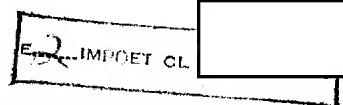
cc: Mr. Blake, DDA
C/O&MLD

AJP: kas

Distribution:

Original - [REDACTED]
1 - AJP Signer
1 - Chrono

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DRAFT OF REPORT TO
THE CONGRESS OF THE UNITED STATES

GOVERNMENT SHOULD RECOVER COST OF
PROCESSING AIR PASSENGERS
NOT ON OFFICIAL BUSINESS

Department of Defense
(Code 943269)

NOTICE -- THIS DRAFT RESTRICTED TO OFFICIAL USE

This document is a *draft* of a proposed report of the General Accounting Office. It is subject to revision and is being made available solely to those having responsibilities concerning the subjects discussed for their review and comment to the General Accounting Office.

Recipients of this draft must not show or release its contents for purposes other than official review and comment under any circumstances. At all times it must be safeguarded to prevent premature publication or similar improper disclosure of the information contained therein.

A service charge for DOD air passengers not on official Government business would have resulted in recovery of about \$8 million in passenger processing costs during fiscal year 1975..

BY

THE COMPTROLLER GENERAL
OF THE UNITED STATES



Approved For Release 2005/01/31 : CIA-RDP80-01193A000700060009-4

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

JUN 3 1976

The Honorable
The Secretary of Defense

Attention: Assistant Secretary of Defense
(Comptroller)

Dear Mr. Secretary:

Enclosed are 12 copies of our draft report on recovering the cost of processing air passengers not on official business.
(Assignment Code 943269.)

Your attention is directed to the limitations on the use of this draft as indicated on the report cover. We request that safeguards be imposed to prevent premature or unauthorized use of this report.

We would appreciate your comments on this draft within 60 days from the date of this letter. We will be glad to discuss these matters with you or your representatives if you so desire. Any inquiries concerning this report should be directed to Mr. Henry W. Connor, Associate Director, 275-5136.

Copies of this draft report are also being sent today to the Secretaries of the Air Force, Army, and Navy.

Sincerely yours,

R. G. Rothwell
for F. J. Shafer
Director

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ABBREVIATIONS

AFB	Air Force Base
CONUS	continental United States
DOD	Department of Defense
GAO	General Accounting Office
MAC	Military Airlift Command

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

GOVERNMENT SHOULD RECOVER COST
OF PROCESSING AIR PASSENGERS
NOT ON OFFICIAL BUSINESS
Department of Defense

D I G E S T

About 2.8 million individuals traveled free on Department of Defense controlled aircraft from fiscal year 1968 through the first quarter of fiscal year 1976. These individuals were active or retired military members and their dependents traveling worldwide for personal reasons on a space-available basis. The percentage of passengers traveling free on Department of Defense controlled aircraft has increased from about 9 percent in fiscal year 1968 to about 24 percent in fiscal year 1975. (See p. 5.)

Passengers traveling on a space-available basis comprise a significant portion of the passenger processing workload within the Military Airlift Command system. During fiscal year 1975, it cost an average of about \$17 to process a passenger at a Military Airlift Command terminal. A prorated share of passenger processing costs in fiscal year 1975, for passengers not on official business, would amount to about \$7.8 million. (See p. 7.)

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In addition, a \$3 tax was paid by the Air Force under the Airport and Airway Revenue Act of 1970 for each passenger traveling on commercial aircraft departing the United States.

Total payments, since enactment of the Revenue Act of 1970, for passengers not on officials business has amounted to about \$850,000. (See p. 7.)

The Federal tax and passenger processing cost were incurred by the Department of Defense without reimbursement from these passengers, (See p. 7.)

Commercial airlines recover a nominal fee from their employees for any space-available transportation they are provided.

The airlines said the charge was made in an attempt to recover passenger processing costs and applicable taxes. (See p. 9.)

GAO recommends that the Secretary of Defense initiate a service charge for passengers not on official business. This service charge should be sufficient to recover terminal processing costs and applicable Federal taxes.

DRAFTCHAPTER IINTRODUCTION

The Department of Defense (DOD) maintains air terminals at various locations in the United States and overseas, and through the Military Airlift Command (MAC) provides a global airlift network of cargo and passenger service. This airlift service covers most geographic areas of the world where the United States either has major overseas bases or provides logistics support to allied nations.

During the course of providing air transportation for DOD cargo and passengers on official business, MAC provides transportation free of charge, on a space-available basis, to a large number of passengers who are not on official Government business. These passengers are active duty or retired military members, their dependents, and certain DOD civilian employees, traveling for personal reasons.

MAC, a major command of the U.S. Air Force, is the single operating agency in DOD for overseas airlift of people, cargo, and mail. MAC provides worldwide service on chartered and military aircraft from about 100 military and civilian terminals. MAC's airlift service to key locations is augmented to some extent by other Air Force commands and services. During fiscal year 1975, MAC and other DOD activities airlifted about 1.9 million passengers from air terminals within the MAC system. About one-half million of these passengers were traveling on a space-available basis.

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MAC's airlift services are similar to commercial airlines in that its controlled (military/chartered) aircraft operate over established routes, and a service-customer relationship exists between MAC and other DOD activities. Customers pay MAC for transportation services from their appropriations at rates approved by the Secretary of Defense. MAC's established channel routes are shown in appendixes I and II.

With one exception, we are aware of no specific statutory authority that authorizes or prohibits space-available travel for military personnel on DOD-controlled aircraft. There is authorization for space-available airlift if commercial service is not available for individuals residing in Alaska who are and have been employed there by the United States for at least 2 years (10 U.S.C. 4746).

A subcommittee of the Committee on Appropriations, House of Representatives, during its fiscal years 1974 and 1975 hearings expressed concern with the volume and cost of space-available travel on Government-owned and controlled aircraft. Our review was made to provide the Congress with information on the extent of space-available travel, the cost of processing passengers, and commercial airlines' practices on space-available travel.

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CHAPTER 2

GOVERNMENT SHOULD RECOVER COST OF
PROCESSING PASSENGERS AT AIR TERMINALS

About \$8 million in passenger processing costs and Federal taxes would have been recovered in fiscal year 1975 if DOD followed the commercial air carriers' policy of collecting a service charge from employees provided free transportation on a space-available basis.

DOD has provided free transportation to at least 2.8 million passengers since fiscal year 1968. The percentage of space-available passengers to total passengers has increased from about 9 percent in fiscal year 1968 to about 24 percent in fiscal year 1975.

In fiscal year 1975, MAC's costs to process a passenger at its terminals averaged about \$17. In addition, MAC paid a \$3 Federal transportation tax for each DOD passenger departing the United States on commercial aircraft.

Significance of space-available workload

Space-available transportation is furnished on the premise that the Government incurs no extra cost because such passengers occupy seats or space not required for official passengers or cargo. It is true that occupancy of an empty seat on an aircraft by a non-paying passenger does not result in identifiable additional transportation cost. However, these passengers comprise a significant portion of total passengers processed through air terminals.

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According to MAC air terminal personnel, individuals desiring space-available transportation create more work than passengers on official duty. An official duty passenger, merely reports to a terminal 1 1/2 hours before his scheduled flight with a travel authorization and necessary documents. His name is checked against a manifest and he is ready to board the aircraft. Individuals and accompanying dependents desiring space-available transportation generally must register in person at a terminal and have (1) leave orders or travel authorization, (2) identification card, (3) immunization certificate, and (4) passport and necessary visas.

If the above-mentioned documents are in order, the individual's name is entered on a register for up to five destinations for space-available transportation. These registers are prepared by terminal personnel once every 24 hours. When transportation becomes available, passengers are selected from these registers on a first-come-first-served basis within the following priority categories, (1) DOD civilian emergency leave, (2) ordinary leave, (3) student dependent, and (4) retired personnel. Each name moves up the register as passengers are selected for travel. An individual is not removed from the register until he receives transportation or fails to respond to an offered seat on a scheduled flight. This procedure can result in an individual waiting at a terminal for days.

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The following chart shows the extent that passengers have been provided space-available transportation on aircraft traveling from air terminals within the MAC system since fiscal year 1968. Because of the lack of central records, we did not attempt to determine the number of passengers provided space-available transportation on DOD-controlled aircraft traveling between terminals outside the MAC system.

Fiscal year	Total passengers airlifted (Note c)	Passengers provided space-available transportation		Percentage of total passengers
		MAC controlled aircraft	Other DOD controlled aircraft	
1968	2,978	278	(b)	9
1969	3,256	336	(b)	10
1970	3,263	373	(b)	11
1971	2,906	360	(b)	12
1972	2,243	336	(b)	15
1973	1,721	310	(b)	18
1974	1,438	286	(b)	20
1975	1,883	305	155	24
1976(note a)	472	66	34	21
Total	<u>20,160</u>	<u>2,650</u>	<u>189</u>	14

a/ First quarter.

b/ Information not available.

c/ Includes DOD passengers provided transportation on scheduled commercial flights.

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Passenger processing costs

DOD maintains air terminals at various locations in the United States and overseas. Nineteen of these terminals (6 in the United States and 13 overseas) are MAC operated. The other terminals are operated by Navy personnel through a MAC/Navy agreement, contractor personnel, other Air Force commands, and foreign governments.

Passenger processing operations at MAC's 19 air terminals cost \$24.9 million or \$17.02 per passenger processed during fiscal year 1975. Because of differences between terminals' staffing and the volume of passengers handled, fiscal year 1975 passenger processing costs at the 19 MAC terminals ranged from \$8.52 to \$64.16 per passenger. (See App. III.)

In addition to these costs, certain passenger processing services are provided to MAC by other services/agencies without reimbursement. These include:

- the cost of U.S. Customs, Agriculture, and Immigration agents on duty at MAC terminals. These agencies are only reimbursed by MAC for any overtime paid their agents, and
- the cost of military security personnel on duty at the terminals.

For the remaining terminals we did not attempt to determine the cost to DOD for passenger processing operations, nor could we determine from MAC what portion of its payments to the Navy and contractors are applicable to passenger processing operations.

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For terminals operated by other Air Force commands, MAC computes an average processing rate, excluding military pay and allowances, based on total passengers processed at its 19 terminals. This rate is used to reimburse the other Air Force commands for passengers processed for MAC flights by their terminals.

Based on MAC's average passenger processing cost in fiscal year 1975, it costs about \$7.8 million to process passengers not on official business.

Federal tax subsidized by MAC

The Airport and Airway Revenue Act of 1970 enacted a \$3 tax on passengers departing the United States on commercial flights. MAC pays this tax on all passengers departing the United States on commercial aircraft. Passengers on military aircraft are exempt from this tax.

Since its enactment, MAC has paid--without reimbursement--about \$850,000 for about 286,000 individuals provided space-available transportation on commercial aircraft chartered by MAC. According to a MAC officials, MAC does not collect this tax from these individuals because they believe that the cost of collection would be greater than the revenue collected.

Present collection system could be used

Terminal personnel are presently collecting money for in-flight meals provided passengers and crew members on military aircraft. The charge for these meals is from \$.45 to \$1.30 each.

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As shown below about 75 percent of those individuals provided space-available transportation traveled on military aircraft during fiscal year 1975 and the first quarter of fiscal year 1976.

Number of Passengers Provided
Space-Available Transportation

<u>Fiscal year</u>	<u>Commercial aircraft</u>	<u>Military aircraft</u>	<u>Total</u>
1975	124,699	335,051	459,750
1976(note a)	17,166	82,195	99,361
	<u>141,865</u>	<u>417,246</u>	<u>559,111</u>
	25%	75%	100%

^{a/} First quarter

Terminal and base finance officials informed us that the collection of a service charge from space-available passengers, utilizing the in-flight meal system, would result in little or no impact on their workloads. Since MAC terminals now collect for in-flight meals on military aircraft, that system could be expanded to collect terminal processing fees and taxes for both military and commercial flights. The implementation of such a service charge would in some cases create the need for:

- larger cash funds,
- safes for safekeeping of funds,
- duress alarms for the safes, and
- cash registers for the control of funds.

In our opinion, the cost to obtain the needed equipment would be minimal.

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Space-available travel provided
employees by commercial airlines

Commercial airlines allow their employees space-available transportation as a fringe benefit. As a general rule the airlines limit the annual number of trips an employee can make. Further, they charge their employees a nominal fee for this service. We were advised by the airlines that the charge for this travel was an attempt to recover passenger processing cost and applicable taxes. As shown in Appendix IV, the number of trips and amount charged vary by airline and length of employee service.

Conclusions

There is no specific statutory authority which permits or prohibits active duty and retired military personnel and their dependents, as well as certain civilian employees, who are not on official Government business, to travel free on DOD-controlled aircraft when space is not being utilized. These individuals comprise a significant portion of the DOD's air terminals' workload. During fiscal year 1975 about 460,000 space-available passengers were processed through MAC air terminals, and they accounted for about 24 percent of the air terminals' workload.

Commercial airlines allow their employees to travel space-available as a fringe benefit when space is not being utilized by paying customers. However, commercial airlines recognize that there is some cost involved in processing passengers, and charge their

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employees a nominal service charge to cover these costs. Since terminals within the MAC system are presently collecting money for in-flight meals, a service charge could easily be collected with little or no increase in cost.

Recommendation

We recommend that the Secretary of Defense initiate a service charge to be collected from passengers traveling space-available on DOD-controlled aircraft. This service charge should be sufficient to recover terminal processing costs and applicable Federal taxes.

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CHAPTER 3

SCOPE OF REVIEW

We interviewed Air Force officials and examined documents, procedures, and practices relating to passenger terminal operations at the following locations:

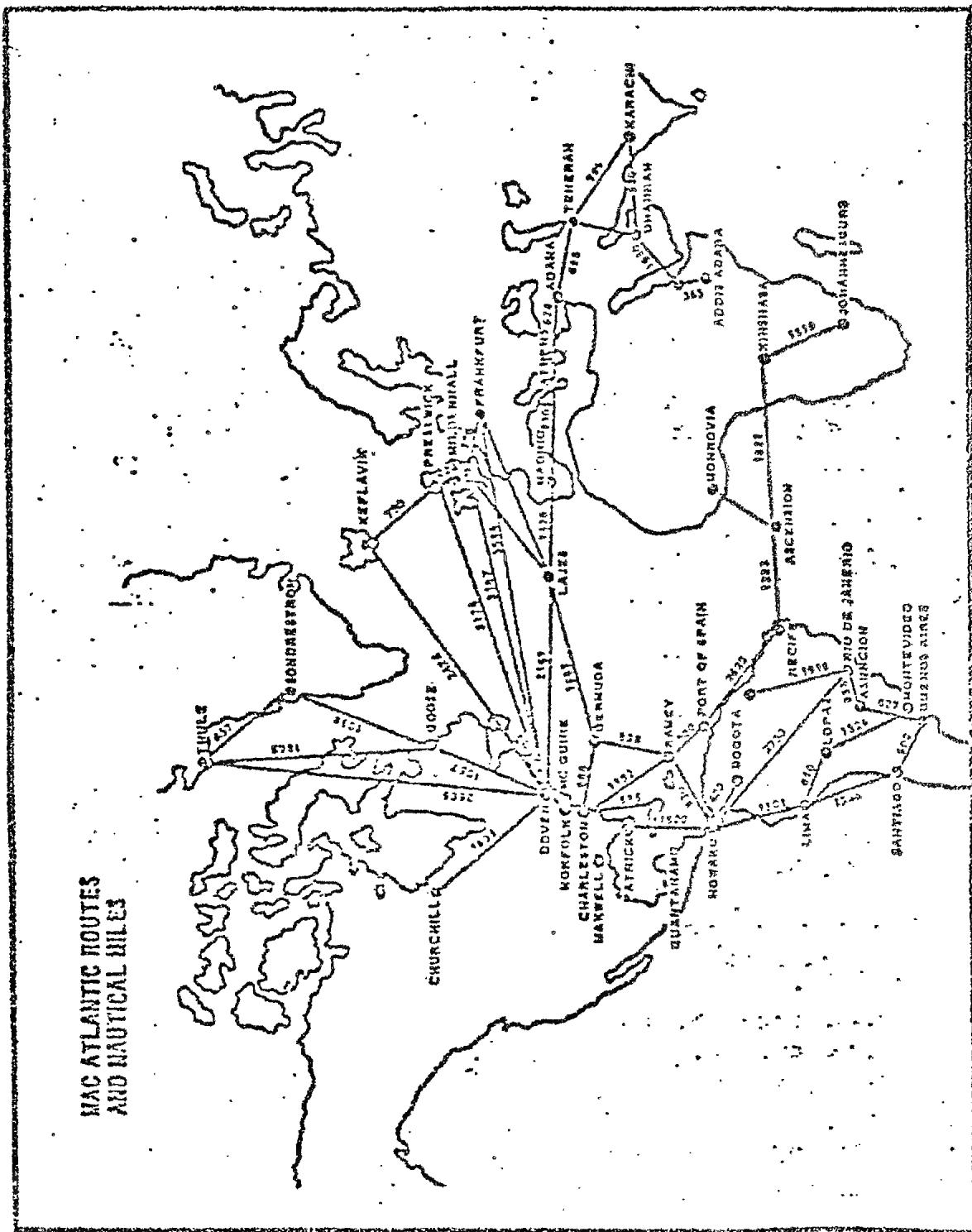
Headquarters, MAC, Scott AFB, Illinois
Headquarters, 21st Air Force, McGuire AFB, New Jersey
Headquarters, 22nd Air Force, Travis AFB, California
Clark AFB, Philippine Islands
Dover AFB, Delaware
Hickam AFB, Hawaii
McChord AFB, Washington
McGuire AFB, New Jersey
Rhein-Main AFB, Germany
Travis AFB, California

We also contacted the following commercial airlines about their procedures and practices on the space-available question:

Pan American World Airways
Trans World Airlines
Northwest Airlines
American Airlines
United Airlines

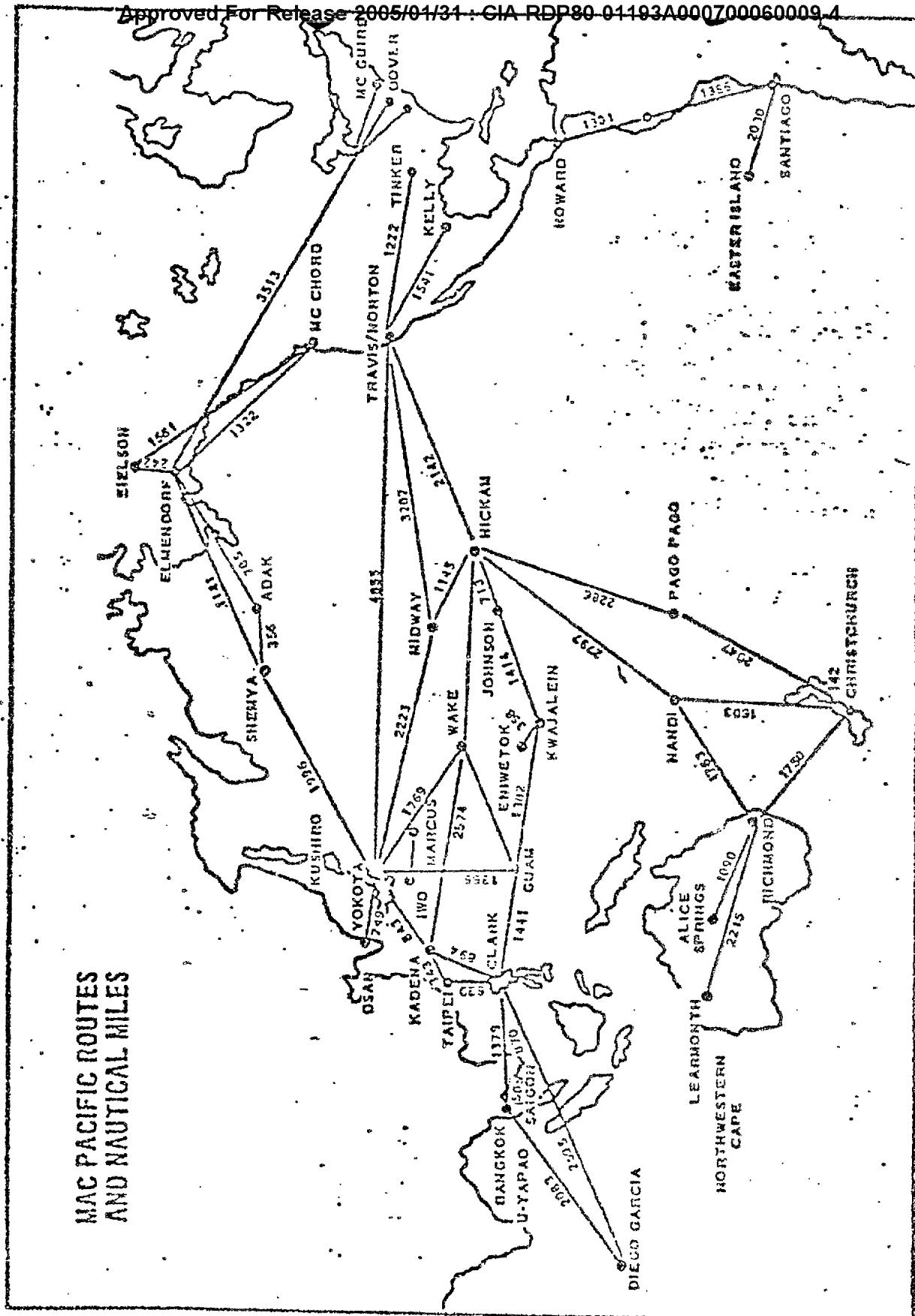
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MAC ATLANTIC ROUTES
AND NAUTICAL MILES



MAC PACIFIC ROUTES
AND NAUTICAL MILES

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PASSENGER PROCESSING COSTS FOR SELECTED AIR TERMINALS

FISCAL YEAR 1975

<u>Terminal</u>	<u>Originating passengers</u>	<u>Operating cost</u>	<u>Per passenger cost</u>
<u>CONUS</u>			
Dover	15,084	\$ 967,853	\$64.16
Charleston	117,105	1,609,004	13.74
McGuire	163,032	2,731,189	16.75
Travis	197,770	3,879,152	19.61
McChord	35,587	1,243,736	34.95
Norton	51,134	1,169,653	22.87
<u>OVERSEAS</u>			
Elmendorf	24,715	815,536	33.00
Hickam	55,652	1,748,703	31.42
Torrejon	35,622	467,021	13.11
Mildenhall	34,163	512,943	15.01
Adana-Tuslog	15,837	167,232	10.56
Kadena	81,963	1,523,295	18.59
Clark	152,464	1,451,279	9.52
Yokota	70,310	1,640,098	23.33
Osan	48,825	758,518	15.54
Athens	11,149	375,053	33.64
Rhein Main	196,345	2,372,698	12.05
Ramstein	20,148	305,839	15.18
Guam	134,458	1,146,112	8.52
Total	<u>1,461,364</u>	<u>\$24,884,914</u>	<u>\$17.02</u>

COMMERCIAL AIRLINES CRITERIA FOR SPACE-AVAILABLE TRAVEL

<u>Airline</u>	<u>Length of employee service</u>	<u>Number of annual space available round trips</u>	<u>Service charge for coach</u>
International - A	Less than 3 years	Two domestic trips	\$15.12 minimum
	3 to 5 years	As above, plus one trip to Hawaii	\$15.12 minimum
	Over 5 years	As above, plus one trip to Orient	\$15.12 minimum
International - B	Less than 10 years	Varies by length of service	\$10 to \$40 (note a)
	10 to 15 years	Unlimited	\$10 to \$40 (note a)
	Over 15 years	Unlimited	None
International - C	3 months to 1 year	Unlimited domestic trips	\$ 4 to \$44 (note a)
	1 to 5 years	Unlimited domestic trips plus one International trip at 90 percent discount,	
	5 to 10 years	Unlimited domestic trips plus two International trips at 90 percent discount.	
	10 to 20 years	Unlimited	\$ 4 to \$44 (note a)
	20 to 30 years	Unlimited	Two free, remainder \$4 to \$44 (note a)
Domestic - D	Over 30 years	Unlimited	No charge
	6 months to 10 years	Two trips for each year of service	\$ 2 - minimum (note b)
	Over 10 years	Unlimited	\$ 2 - minimum (note b)
Domestic - E	Number of trips vary by length of service, maximum of 12 trips after 15 years of service.		\$ 1 to \$20

^aCharge is determined by distance to be traveled.

^bNo maximum, charge is determined by distance to be traveled.

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**PRINCIPAL OFFICIALS RESPONSIBLE
FOR ACTIVITIES DISCUSSED IN THIS REPORT**

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

Donald H. Rumsfeld	Nov. 1975	Present
James R. Schlesinger	July 1973	Nov. 1975
William P. Clements, Jr. (acting)	Apr. 1973	July 1973
Elliot L. Richardson	Jan. 1973	Apr. 1973
Melvin R. Laird	Jan. 1969	Jan. 1973
Clark M. Clifford	Mar. 1968	Jan. 1969
Robert S. McNamara	Jan. 1961	Feb. 1968

DEPUTY SECRETARY OF DEFENSE:

William P. Clements, Jr.	Jan. 1973	Present
Kenneth Rush	Feb. 1972	Jan. 1973
David Packard	Jan. 1969	Dec. 1971
Paul H. Nitze	July 1967	Jan. 1969

**ASSISTANT SECRETARY OF DEFENSE
(INSTALLATIONS AND LOGISTICS):**

Frank A. Shrontz	Feb. 1976	Present
Dr. John J. Bennett (acting)	Apr. 1975	Jan. 1976
Arthur I. Medolla	June 1973	Mar. 1975
Hugh McCullough (acting)	Jan. 1973	June 1973
Barry J. Shillito	Feb. 1969	Jan. 1973
Thomas D. Morris	Sep. 1967	Jan. 1969
Paul R. Ignatius	Dec. 1964	Aug. 1967

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

John W. Plummer (acting)	Nov. 1975	Present
Dr. John L. McLucas	July 1973	Nov. 1975
Dr. John L. McLucas (acting)	June 1973	July 1973
Dr. Robert C. Seamens, Jr.	Jan. 1969	May 1973
Dr. Harold Brown	Oct. 1965	Jan. 1969

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ASSISTANT SECRETARY OF THE AIR FORCE
(INSTALLATIONS AND LOGISTICS):

Gordon Knapp	Feb. 1976	Present
Frank A. Shrutz	Oct. 1973	Feb. 1976
Richard J. Keegan (acting)	Aug. 1973	Oct. 1973
Lewis E. Turner (acting)	Jan. 1973	Aug. 1973
Philip N. Whittaker	May 1969	Jan. 1973
Robert H. Charles	Nov. 1963	May 1969